

# *Township of Kenockee*

**St. Clair County, Michigan**

Audited Financial Report  
March 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Kenockee Township	County St. Clair County
Fiscal Year End March 31, 2006	Opinion Date July 13, 2006	Date Audit Report Submitted to State July 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
Zip 48453		License Number A248781	
Authorized CPA Signature 		Printed Name Lehn King	

**Township of Kenockee**  
Annual Financial Report  
For The Fiscal Year Ended March 31, 2006

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Members of the Township Board  
**Kenockee Township**  
St. Clair, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Kenockee, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Kenockee, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Kenockee, Michigan as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Kenockee, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

*Lehn King*

Lehn L. King  
Certified Public Accountant

July 13, 2006

# **Township of Kenockee**

## **Avoca, Michigan**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER**

Our discussion and analysis of the Township of Kenockee's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

#### **Financial Highlights**

The Township is in a good financial position with a General Fund Balance of \$343,655.

#### **Using this Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

#### **The Township as a Whole**

The Township of Kenockee's fund balances are as follows:

	<b>March 31, 2006</b>	<b>March 31, 2005</b>
General Fund	\$ 343,655	\$ 307,921
Total for Township	<u>\$ 343,655</u>	<u>\$ 307,921</u>

# Township of Kenockee

## Avoca, Michigan

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### Governmental Activities

The Township of Kenockee's Revenues and Expenditures can be summarized as follows:

	<b>General Fund</b>	<b>Total Governmental Activities</b>
<b>Fund Balance - Beginning of Year</b>	\$ 307,921	\$ 307,921
<b>Revenue Collected</b>		
Property Taxes	162,014	162,014
Intergovernmental Revenue	174,182	174,182
Charges for Services	38,863	38,863
Building Permits & Fees	39,081	39,081
Loan Proceeds	235,000	235,000
Other	36,019	36,019
Total Revenue Collected	<u>685,159</u>	<u>685,159</u>
<b>Expenditures</b>		
General Government	120,042	120,042
Public Safety	131,716	131,716
Public Works	114,537	114,537
Recreation & Culture	7,456	7,456
Capital Outlay	258,327	258,327
Debt Service	17,347	17,347
Total Expenditures	<u>649,425</u>	<u>649,425</u>
<b>Fund Balance - End of Year</b>	<u>\$ 343,655</u>	<u>\$ 343,655</u>

# **Township of Kenockee**

## **Avoca, Michigan**

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### **Economic Factors and Next Year's Budget and Rates**

The Township of Kenockee's General Fund budget for next year is approximately the same budget as a year ago.

### **Contacting the Township**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 4420 Kilgore Road, Avoca, Michigan or by telephone at (810) 324-6126.

Calvin Fuller  
Township of Kenockee Supervisor

# Township of Kenockee

## Statement of Net Assets (Deficit)

March 31, 2006

	<b>Primary Government Governmental Activities</b>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 248,945.07
Property Taxes Receivable	14,850.70
Due From Other Funds	143,153.70
Capital Assets (Net of Accumulated Depreciation)	<u>515,803.62</u>
 Total Assets	 922,753.09
<b><u>Liabilities</u></b>	
Accrued Payroll Taxes	\$ 3,308.08
Accounts Payable	29,736.50
Performance Bonds Payable	30,250.00
Current Portion of Long-Term Debt	26,392.00
Long-Term Debt	<u>195,592.17</u>
 Total Liabilities	 <u>285,278.75</u>
<b>Net Assets (Deficit)</b>	
 Invested in Capital Assets - Net of Related Debt	 293,819.45
Unrestricted	<u>343,654.89</u>
 Total Net Assets (Deficit)	 <u><u>\$ 637,474.34</u></u>

The notes are an integral part of the statements.



**Township of Kenockee**  
Statement of Activities  
For the Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government Governmental Activities
<u>Functions/Programs</u>	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 120,041.89	\$ -	\$ -	\$ -	\$ (120,041.89)
Public Safety	147,629.21	77,944.48	-	-	(69,684.73)
Public Works	114,537.29	-	-	-	(114,537.29)
Recreation & Culture	7,636.11	-	-	-	(7,636.11)
Interest on Long-Term Debt	4,331.66	-	-	-	(4,331.66)
<u>Total Governmental Activities</u>	<u>\$ 394,176.16</u>	<u>\$ 77,944.48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(316,231.68)</u>
<b>General Revenues:</b>					
Property Taxes & Special Assessments					\$ 162,013.86
State Shared Revenues					174,182.02
Interest					5,515.65
Other Revenues					30,503.54
Total General Revenues, Special Items & Transfers					<u>372,215.07</u>
<b>Change in Net Assets</b>					55,983.39
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>581,490.95</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 637,474.34</u>

The notes are an integral part of the statements.

# Township of Kenockee

## Governmental Funds

### Balance Sheet

March 31, 2006

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>		
Cash & Certificates of Deposit	\$ 248,945.07	\$ 248,945.07
Property Taxes Receivable	14,850.70	14,850.70
Due From Tax Account	143,153.70	143,153.70
 <u>Total Assets</u>	 \$ 406,949.47	 \$ 406,949.47
 <b><u>Liabilities &amp; Fund Equity</u></b>		
<b><u>Liabilities</u></b>		
Accrued Payroll Taxes	\$ 3,308.08	\$ 3,308.08
Accounts Payable	29,736.50	29,736.50
Performance Bonds Payable	30,250.00	30,250.00
 <u>Total Liabilities</u>	 63,294.58	 63,294.58
 <b><u>Fund Equity</u></b>		
Fund Balances		
Undesignated - Unreserved	343,654.89	343,654.89
<u>Total Fund Balances</u>	343,654.89	343,654.89
 <u>Total Liabilities &amp; Fund Equity</u>	 \$ 406,949.47	 \$ 406,949.47

The notes are an integral part of the statements.

**Township of Kenockee**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2006

<b>Total Fund Balances for Governmental Funds</b>	\$ 343,654.89
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Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	515,803.62
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(221,984.17)</u>
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<b>Net Assets of Governmental Activities</b>	<u><u>\$ 637,474.34</u></u>
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The notes are an integral part of the statements.

**Township of Kenockee**  
Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended March 31, 2006

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>		
Property Taxes	\$ 162,013.86	\$ 162,013.86
State Shared Revenue	164,994.00	164,994.00
County Park Shared Revenue	9,188.02	9,188.02
Charges for Services	38,863.25	38,863.25
Building Permits & Fees	39,081.23	39,081.23
Loan Proceeds	235,000.00	235,000.00
Interest Earnings	5,515.65	5,515.65
Other Revenues	30,503.54	30,503.54
<u>Total Revenues</u>	<u>685,159.55</u>	<u>685,159.55</u>
<b><u>Expenditures</u></b>		
General Government	120,041.89	120,041.89
Public Safety	131,715.88	131,715.88
Publics Works	114,537.29	114,537.29
Recreation & Culture	7,455.60	7,455.60
Capital Outlay	258,327.46	258,327.46
Debt Service - Principal	13,015.83	13,015.83
Debt Service - Interest	4,331.66	4,331.66
<u>Total Expenditures</u>	<u>649,425.61</u>	<u>649,425.61</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	35,733.94	35,733.94
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In (Out)	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	35,733.94	35,733.94
<b><u>Fund Balances - Beginning of Year</u></b>	<u>307,920.95</u>	<u>307,920.95</u>
<b><u>Fund Balances - End of Year</u></b>	<u><u>\$ 343,654.89</u></u>	<u><u>\$ 343,654.89</u></u>

The notes are an integral part of the statements.

**Township of Kenockee**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ 35,733.94

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation 258,327.46

Repayment of Bond Principal is an Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt) 13,015.83

Loan Proceeds are recognized as revenue in the Governmental Funds,  
but not in the Statement of Activities #####

Depreciation is an Expenditure for the Statement of  
Activities, but is not reported in the Governmental Funds (16,093.84)

**Net Assets of Governmental Activities** \$ 55,983.39

# Township of Kenockee

## Statement of Net Assets (Deficit)

### Fiduciary Funds

March 31, 2006

	<b>Fiduciary Fund Type</b>	
	<b>Agency Fund</b>	
	<b>Tax Collection Fund</b>	<b>Totals March 31, 2006</b>
<b><u>Assets</u></b>		
Cash - Savings & Certificates	\$ 143,153.70	\$ 143,153.70
Due From Other Funds	-	-
<b><u>Total Assets</u></b>	<b>\$ 143,153.70</b>	<b>\$ 143,153.70</b>
<b><u>Liabilities &amp; Fund Balance</u></b>		
<b><u>Liabilities</u></b>		
Due To Other Funds	\$ 143,153.70	\$ 143,153.70
<b><u>Total Liabilities</u></b>	<b>143,153.70</b>	<b>143,153.70</b>
<b><u>Fund Balances</u></b>		
Unreserved & Undesignated	-	-
<b><u>Total Fund Balances</u></b>	<b>-</b>	<b>-</b>
<b><u>Total Liabilities &amp; Fund Balances</u></b>	<b>\$ 143,153.70</b>	<b>\$ 143,153.70</b>

The notes are an integral part of the statements.

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

The accounting methods and procedures adopted by the Township of Kenockee, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

**Trust & Agency Funds** - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

**Due to and Due From Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences** - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 20 years



**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Changes**

**GASB Statement No. 34** – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<b>Total Appropriations</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
<b><u>General Fund</u></b>			
Elections	\$ -	\$ 463	\$ 463
Board of Review	2,000	2,125	125
Township Hall & Grounds	2,000	2,278	278
Capital Outlay	223,813	258,327	34,514
Debt Service - Principal	-	13,016	13,016
Debt Service - Interest	-	4,332	4,332

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**3. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 248,945	\$ 143,154	\$ 392,099

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 392,099

The bank balance of the primary government's deposits is \$392,099, of which \$142,320 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
NONE					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**4. Property Taxes**

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township levied the following taxes:

General Government Services	0.7292	mills
Fire Millage	1.5517	mills

**5. Capital Assets**

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	Balance April 1, 2005	Additions	Disposals & Adjustments	Balance March 31, 2006
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital Assets Being Depreciated:				
Fire Machinery & Equipment	\$ 352,500	\$ 253,876	\$ -	\$ 606,376
Park Equipment	-	4,451	-	4,451
Total Capital Assets being Depreciated	352,500	258,327	-	610,827
Accumulated Depreciation:				
Buildings & Improvements	113,930	15,913	-	129,843
Office Equipment	-	181	-	181
Total Accumulated Depreciation	113,930	16,094	-	130,024
<b>Net Capital Assets Being Depreciated</b>	<b>238,570</b>	<b>242,233</b>	<b>-</b>	<b>480,803</b>
<b>Net Capital Assets</b>	<b>\$ 273,570</b>	<b>\$ 242,233</b>	<b>\$ -</b>	<b>\$ 515,803</b>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public Safety	\$ 15,913
Recreation & Culture	181
Total Governmental Activities	<u>\$ 15,913</u>

**6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

None

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**7. Long -Term Debt**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
Fire Trucks - Tankers & Chassis						
Tri County Bank - Loan Payable		\$16,672 -				
Amount of Issue - \$235,000		\$32,490	\$ 235,000	\$ (13,016)	\$ 221,984	\$ 26,392
Maturing through July 22, 2013	3.48%					
<b>Total Governmental Activities</b>			<u>\$ 235,000</u>	<u>\$ (13,016)</u>	<u>\$ 221,984</u>	<u>\$ 26,392</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 26,392	\$ 7,389	\$ 33,781
2008	27,322	6,458	33,780
2009	28,285	5,495	33,780
2010	29,283	4,498	33,781
2011	30,315	3,465	33,780
2012-2014	80,546	3,904	84,450
<b>Total</b>	<u>\$ 222,143</u>	<u>\$ 31,209</u>	<u>\$ 253,352</u>

**8. Interfund Receivables, Payables, & Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 143,154	T&A - Tax Collection	\$ 143,154
Total	<u>\$ 143,154</u>		<u>\$ 143,154</u>

Interfund Transfers reported in the Fund Statements are as follows:

NONE

**9. Post Employment Benefits**

The Township does not provide any post employment benefits.

**Township of Kenockee**  
Notes to the Financial Statements  
For The Year Ended March 31, 2006

**10. Deferred Compensation**

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township's financial statements.

**11. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**12. Subsequent Event**

The Township has paid for two tankers and chassis and has not taken delivery of them as of the date of the audit. There is reasonable doubt as to Lexington Fire Equipment Co.'s ability to deliver the aforementioned fire trucks. The amount submitted for the fire trucks to date is \$247,876.

### **Required Supplemental Information**

**Township of Kenockee**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2006

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenues</u></b>				
Property Taxes	\$ 153,890.54	\$ 153,890.54	\$ 162,013.86	\$ 8,123.32
State Shared Revenue	147,900.00	147,900.00	164,994.00	17,094.00
County Park Shared Revenue	8,800.00	8,800.00	9,188.02	388.02
Charges for Services	38,850.00	38,850.00	38,863.25	13.25
Building Permits & Fees	36,500.00	36,500.00	39,081.23	2,581.23
Loan Proceeds	-	-	235,000.00	235,000.00
Interest Earnings	1,500.00	1,500.00	5,515.65	4,015.65
Other Revenues	9,532.00	9,532.00	30,503.54	20,971.54
<b><u>Total Revenues</u></b>	<b><u>396,972.54</u></b>	<b><u>396,972.54</u></b>	<b><u>685,159.55</u></b>	<b><u>288,187.01</u></b>
<b><u>Expenditures</u></b>				
<b>General Government</b>				
Township Board	94,162.69	96,162.69	73,510.76	22,651.93
Supervisor	10,050.89	10,050.89	9,572.24	478.65
Elections	-	-	462.75	(462.75)
Assessor	12,182.24	12,182.24	10,448.96	1,733.28
Clerk	10,050.89	10,050.89	9,572.24	478.65
Board of Review	2,000.00	2,000.00	2,125.00	(125.00)
Treasurer	12,675.89	12,675.89	12,072.24	603.65
Township Hall & Grounds	2,000.00	2,000.00	2,277.70	(277.70)
<b><u>Total General Government</u></b>	<b><u>143,122.60</u></b>	<b><u>145,122.60</u></b>	<b><u>120,041.89</u></b>	<b><u>25,080.71</u></b>
<b>Public Safety</b>				
Fire Protection	145,000.00	145,000.00	91,796.21	53,203.79
Building Inspections	24,000.00	26,826.31	26,826.31	-
Streetlights	4,100.00	4,100.00	3,760.16	339.84
Planning & Zoning	10,000.00	10,000.00	9,333.20	666.80
<b><u>Total Public Safety</u></b>	<b><u>183,100.00</u></b>	<b><u>185,926.31</u></b>	<b><u>131,715.88</u></b>	<b><u>54,210.43</u></b>
<b>Public Works</b>	165,000.00	165,000.00	114,537.29	50,462.71
<b>Recreation &amp; Culture</b>	15,000.00	15,000.00	7,455.60	7,544.40
<b>Capital Outlay</b>	-	223,813.00	258,327.46	(34,514.46)
<b>Debt Service - Principal</b>	-	-	13,015.83	(13,015.83)
<b>Debt Service - Interest</b>	-	-	4,331.66	(4,331.66)
<b><u>Total Expenditures</u></b>	<b><u>506,222.60</u></b>	<b><u>734,861.91</u></b>	<b><u>649,425.61</u></b>	<b><u>137,298.25</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	(109,250.06)	(337,889.37)	35,733.94	425,485.26
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>307,920.95</u></b>	<b><u>307,920.95</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ (109,250.06)</u></b>	<b><u>\$ (337,889.37)</u></b>	<b><u>\$ 343,654.89</u></b>	<b><u>\$ 733,406.21</u></b>



### **Other Supplemental Information**

# Township of Kenockee

Other Supplemental Information

Schedule of Indebtedness

March 31, 2006

Dated: July 7, 2005

Original Issue: \$235,000

## Tri County Bank - Fire Truck Purchase

Interest Rate	Annual Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2006	2005	
3.48%	3/31/2006	\$ -	\$ -	\$ -
3.48%	3/31/2007	26,392	-	7,389
3.48%	3/31/2008	27,322	-	6,458
3.48%	3/31/2009	28,285	-	5,495
3.48%	3/31/2010	29,283	-	4,498
3.48%	3/31/2011	30,315	-	3,465
3.48%	3/31/2012	31,384	-	2,396
3.48%	3/31/2013	32,490	-	1,290
3.48%	3/31/2014	16,672	-	218
Total Loan Payable		\$ 222,143	\$ -	\$ 31,209